

# Mobile-Enabled Microinsurance

## For Climate Resilient Agriculture



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for sustainable development



### Background

Small and medium sized enterprises (SMEs), including small-scale agribusinesses, play a significant role in economic growth and inclusion in Uganda and account for approximately 90% of private sector employment. However, issues with productivity and crop value have a destabilising effect on the sector and food security in Uganda. These challenges drain potential income from farmers and are exacerbated by the increasing occurrence of weather-related shocks and a lack of collateralisable farm assets to respond to these shocks. Weather shocks can destroy expected returns from harvests and trap farmers and households in cycles of poverty. Weather-related risks also limit the willingness of farmers to invest in advanced technology and resources to increase their productivity and produce higher value crops. Without insurance, farmers dedicate tremendous resources to protect themselves against risks or rebuild their assets in response to losses. Insuring smallholders against weather-related production risks would increase their resilience to these shocks and ensure that capital is available to invest in more sustainable and climate-resilient production measures.

### Solution Overview

The **mobile-enabled microinsurance** solution catalyses mobile-based technology to increase access to and improve the quality of agriculture insurance solutions offered to small-scale agribusinesses in Uganda. Real-time risk management and efficient pay-outs are major challenges to existing agriculture insurances. This is complicated by a lack of public awareness of the purpose of agriculture insurance and the wide geographical spread of agribusinesses across Uganda. The mobile-enabled microinsurance product insures small-scale agribusinesses who produce commercial crops against production losses, monitored using real-time weather indexing. Product delivery, servicing and claims pay-outs are facilitated by a network of insurance agents supported by local-level representatives and mobile-money and communication technology. This innovative insurance product will:

1. **Extend the market penetration of agriculture insurance** among small-scale agribusinesses across key commercial crop value chains;

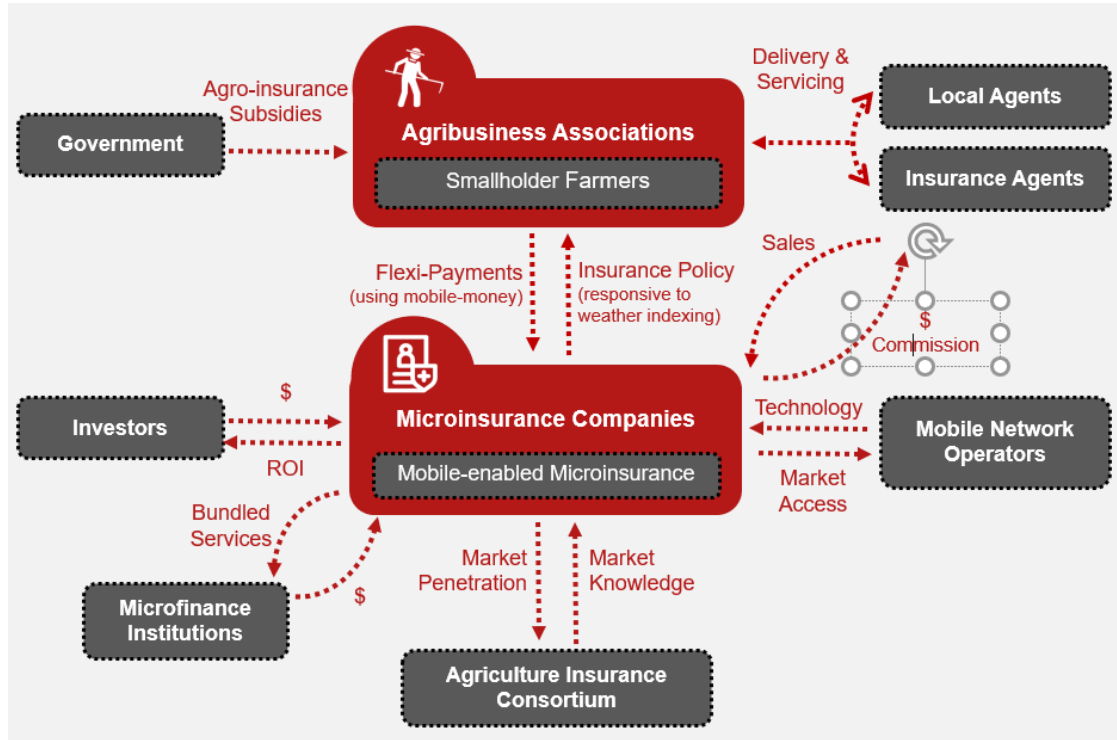
<b>Focus:</b>	Climate Change Adaptation
<b>Ecosystem Impact:</b>	Access to Finance
<b>Lab Cycle:</b>	Climate Finance, Uganda 2018
<b>Challenge hosted by:</b>	Financial Sector Deepening Uganda with UK Aid

2. **Leverage mobile-based technology** to inform and deliver insurance solutions to remote areas while allowing flexible consultation and pay-outs; and,
3. **Increase investment in commercial crops and climate-smart agriculture** by freeing up capital previously spent on rebuilding from weather-related losses.

### Key Features

This tailored microinsurance solution is equipped to improve market penetration and product delivery and servicing to small-scale agribusinesses through key features:

- Product updates and flexi-payment information supported by messaging, toll-free calling and mobile-money
- Insurance bundled with agricultural input promotions (e.g. fertilizers and seeds) for incentivisation
- Network of agents earn commission for customer acquisition
- Agents support technology training, complaints handling and pay-outs in coordination with community leaders and agribusiness associations
- Pay-outs pegged to weather-based indexing (i.e. real-time rainfall data) for greater reliability and efficiency
- Claims payments delivered via mobile money within 10-20 days of claim receipt



## Innovative Characteristics

- **Leverages mobile-based technology** for bundled services, improved geographical coverage and ease-of-use
- **Decentralises delivery and servicing** via insurance agents working directly with community leaders
- **Streamlines claims processing** with weather indexing (i.e. rainfall and temperature fluctuations), building on Ugandan Agro Consortium

## Target Market

Market entry for the mobile-enabled microinsurance focuses on small-scale agribusinesses in strategic regions and value chains at the core of Uganda's commercial crop production. The product targets small-scale agribusinesses that produce higher value commercial crops. These farmers are significant contributors to economic growth in the agriculture sector and are particularly vulnerable to weather shocks due to their lack of collateralisable farm assets available to respond to climate-related production disruptions.

The mobile-enabled microinsurance solution addresses the shortcomings of existing agriculture insurance products and will:

- **Secure buy-in of small-scale agribusinesses/farmers:** Improved awareness of insurance benefits among small-scale agribusinesses and more smallholders trained in sustainable agriculture and mobile-based technology
- **Extend agriculture insurance market:** Increased number of insured small-scale agribusinesses and improved customer satisfaction with superior delivery and servicing, leveraging local networks and easy-to-use tech
- **Improve resiliency & productivity:** Reduction of losses from changing rainfall, adoption of climate-smart practices and improved commercialisation potential of crop yield

## Solution Developers



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**SEED Practitioner Labs Climate Finance** engage financial institutions, funders, intermediaries and other SME ecosystem stakeholders to co-create innovative climate finance products and mechanisms that extend access to long-term financing opportunities for "missing middle" small and growing climate-smart enterprises that struggle to advance beyond the start-up stage and multiply their contributions to climate-smart and socially inclusive economies.